

School Employee Health Care Benefits

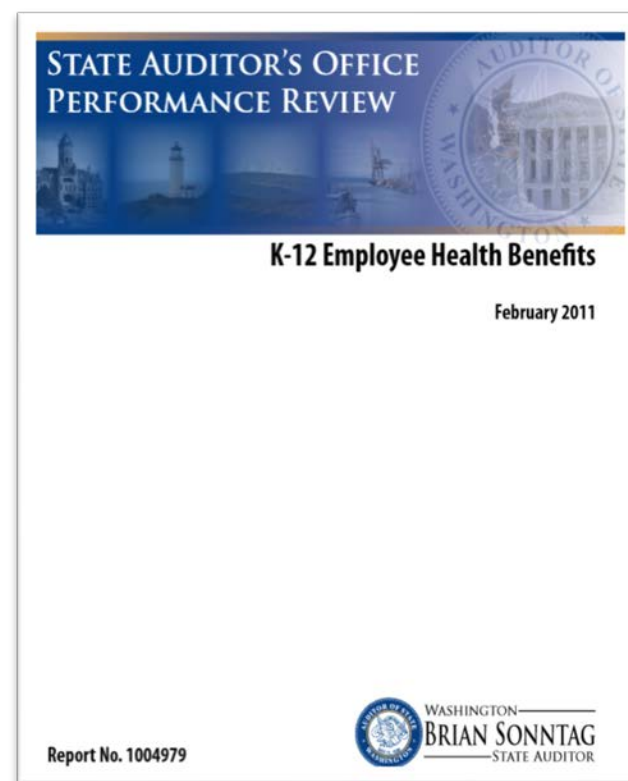
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November 14, 2018



A Brief History

2011 SAO Performance Review of K-12 Employee Health Benefits

- In 2011, the State Auditor's Office published a performance review of the public school employees' health benefits.
- Key Findings:
 - Premiums for full-family coverage are on average much higher than single coverage.
 - The current system for funding is complex and confusing.
 - Significant savings are available from standardizing coverage and restructuring to a statewide program.
- Main recommendations:
 - Streamline the benefits array to improve efficiency, transparency, and stability.
 - Standardize coverage levels for more affordable and equitable health care benefits.
 - Reduce costs by restructuring the health benefits array.



ESSB 5940 (2012)

Goals:

1. Improve transparency to assure prudent and efficient use of taxpayers' funds at the state and local levels.
2. Create greater affordability and greater equity between full family coverage premium costs and for employee only coverage.
3. Promote health care innovations and cost savings, and significantly reduce administrative costs.
4. Provide greater parity in state allocations for state employee and K-12 employee health benefits.

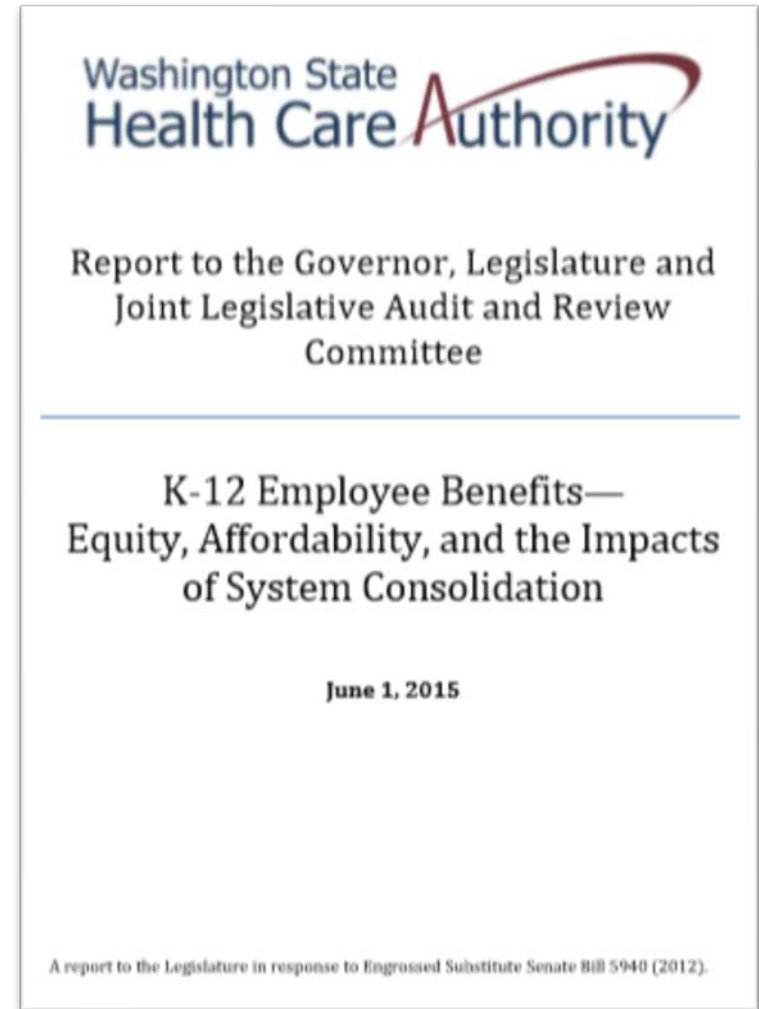
Reports:

- Office of the Insurance Commissioner – report annually on school district health benefit plans.
- HCA –Analyze options for consolidating K-12 employee health care.
- JLARC - Report to the Legislature on school district progress towards goals.

2015 HCA K-12 Employee Benefits - System Consolidation (ESSB 5940 (2012))

- Key Findings:

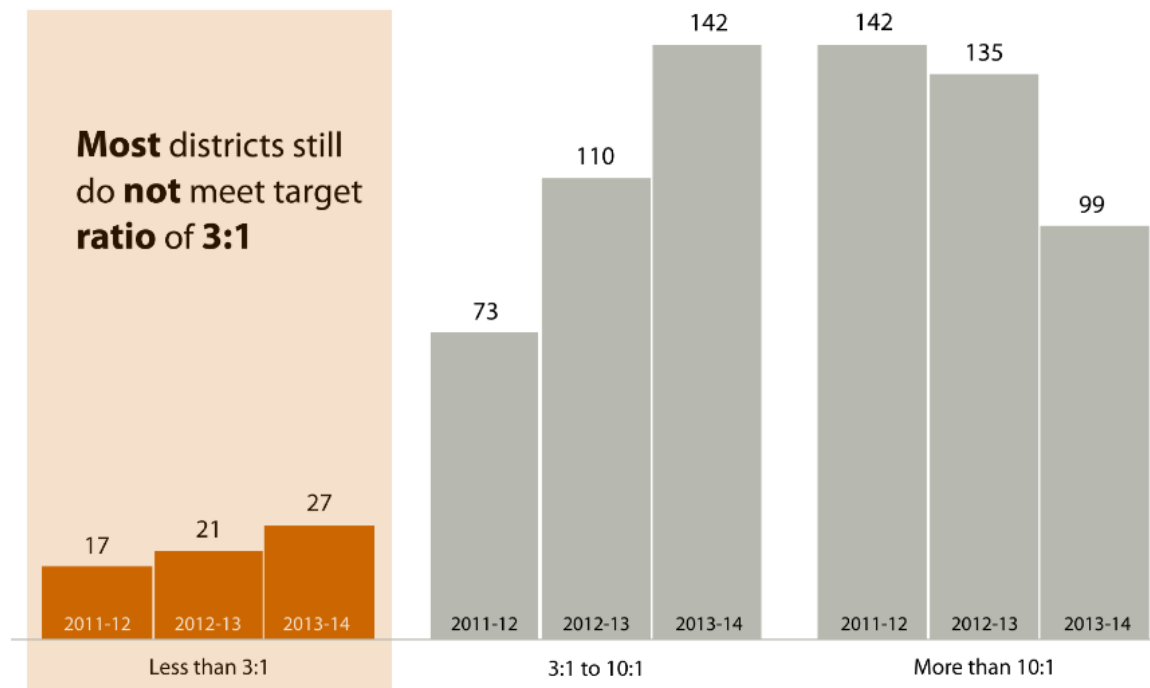
- Consolidation would achieve the legislative goals, including more equitable premiums for employees.
- Both PEB and SEB consolidations would result in higher employer costs but the SEB consolidation was probably less costly than a PEB consolidation with less impact on PEB members.



2016 JLARC Report: K-12 Health Benefits (ESSB 5940 (2012))

- Key Finding:

- School districts and collective bargaining units have made slight improvement in equity and affordability for full-family coverage, but most have not met target.
- Consolidation and other options may improve equity and affordability.



Source: JLARC staff analysis of OIC data. Of the 295 districts, data was available for 232 districts in 2011-12, 266 districts in 2012-13, and 269 districts in 2013-2014.

SEB Board and Benefits Consolidated

- In 2017, as part of [EHB 2242](#) school employee health care benefits were consolidated under the newly created School Employees Benefits (SEB) Board, administered by the Health Care Authority (HCA).
- Starting January 1, 2020, all districts and charter schools must provide eligible employees with health care and other insurance benefits through the SEB Board.
- Like the Public Employees Benefit (PEB) Board, the SEB Board will design and approve insurance benefit plans for school employees, and establish eligibility criteria for participation in these plans.

SEB Progress Report – Major Accomplishments

- Collective bargaining tentative agreement reached
- All benefit procurements completed and contract negotiations in process
- Board established preliminary benefit design for medical, dental, vision, life, and disability insurance benefits
- Board adopted core eligibility policies and rules filed
- HCA started building an online enrollment system
- HCA continuously engaging with key stakeholders about progress

SEB Progress Report – Upcoming Milestones

- Rate development to inform legislative budget process
- Final execution of contracts with all carriers
- Complete IT build and perform testing of required integrations (e.g. payroll) with school district partners and carriers
- After the budget is enacted, Board refinement of benefit designs and setting employee premiums
- Initial open enrollment in Fall 2019
- Benefits launch January 1, 2020

What Does the SEB Program Cost?

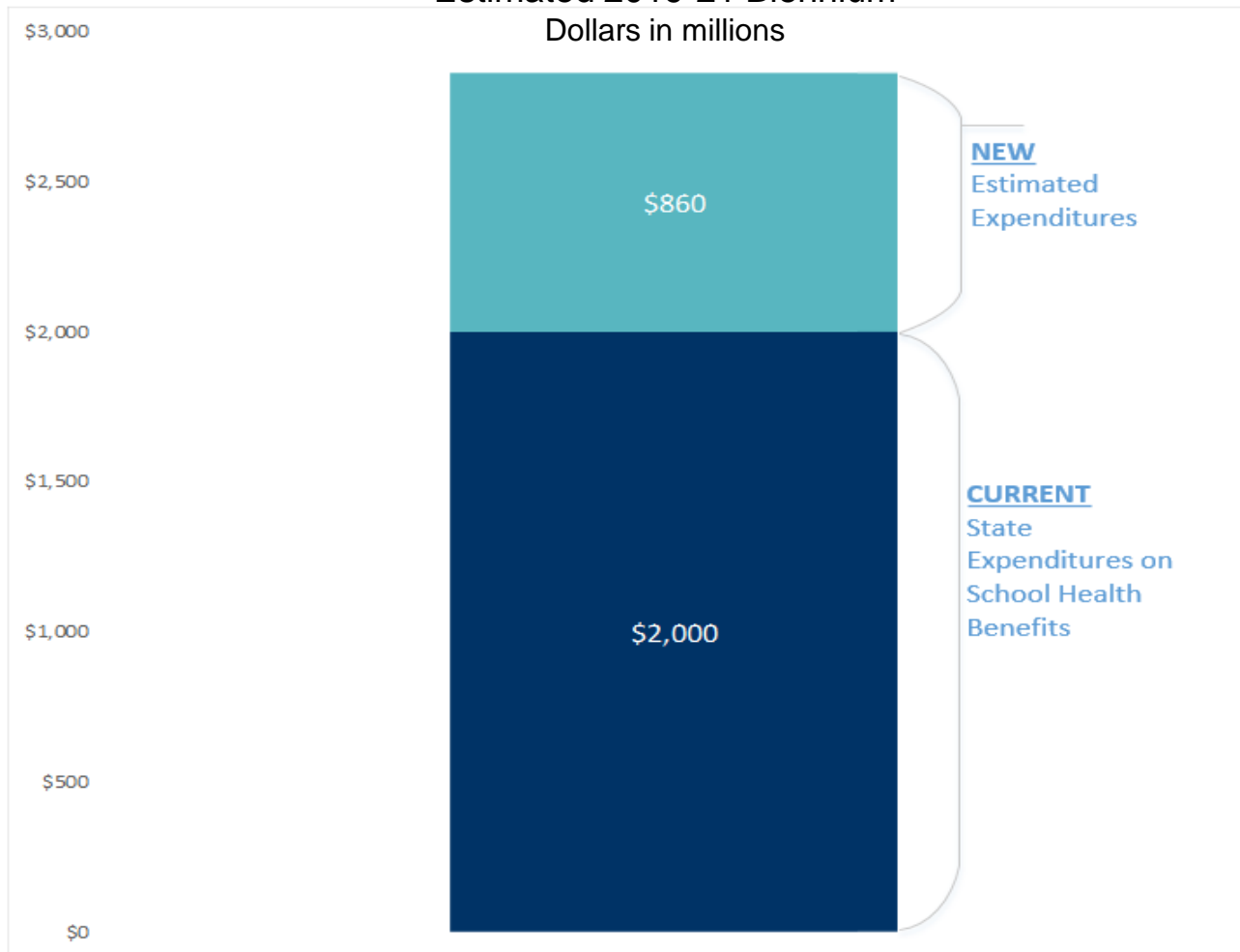
Estimated cost based on the 2019-21 tentative collective bargaining agreement.

Financial impact of SEB

SEB Fiscal Impact to the State

Estimated 2019-21 Biennium

Dollars in millions

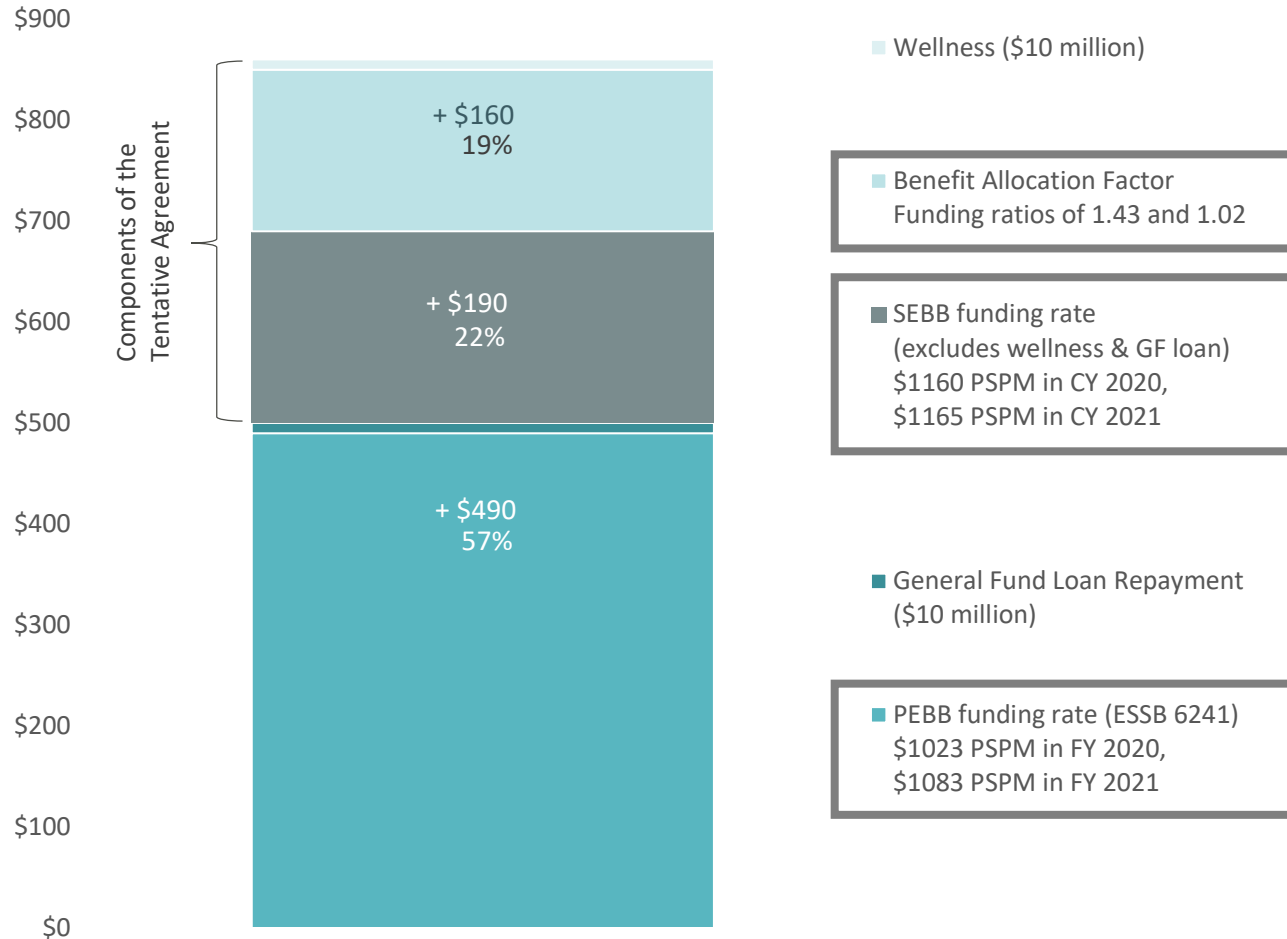


Incremental SEB Cost

Components of SEB Fiscal Impact to the State (\$860 million)

Estimates for the 2019-21 Biennium

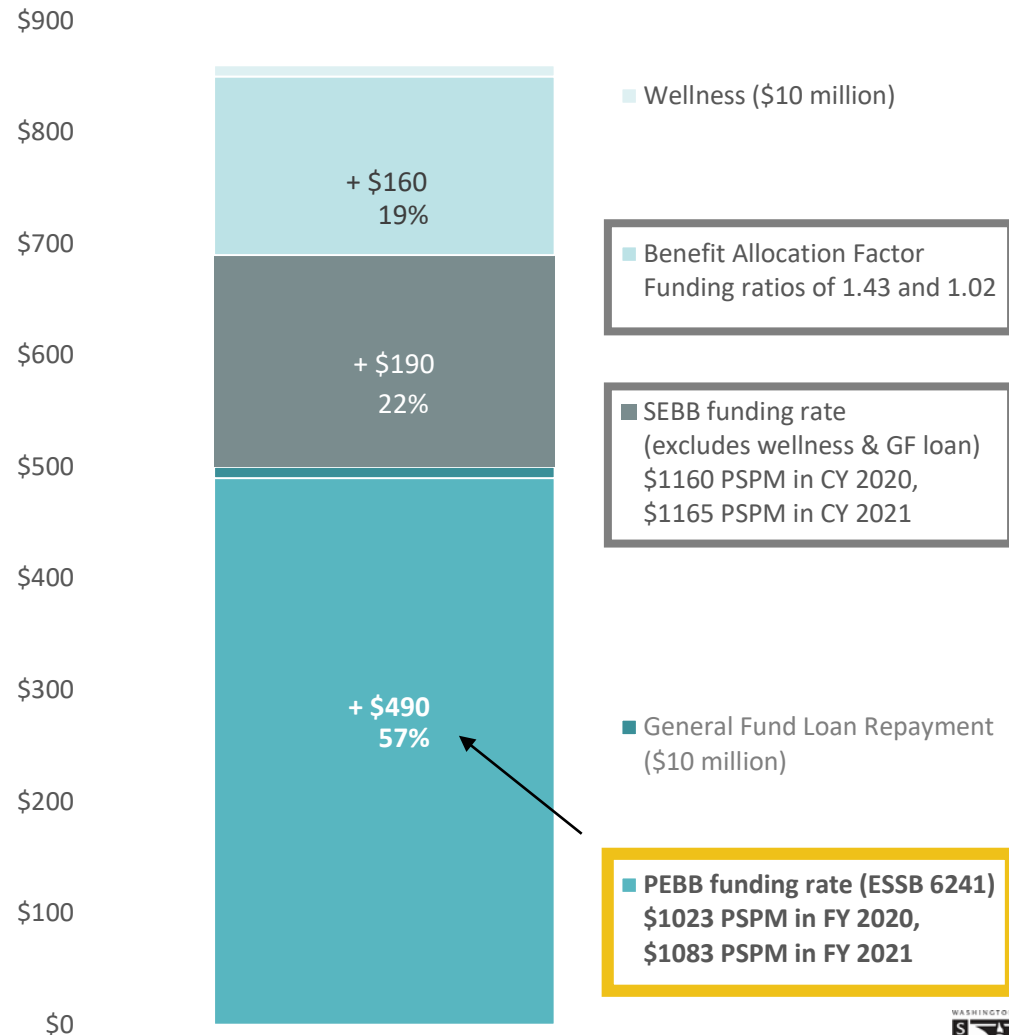
All Dollars in Millions



SEB Cost – Matching PEB Funding Rate

- Laws of 2018, Ch. 260, § 33 (SB 6241):

The monthly insurance benefit allocated to school districts for state-funded staffing assumptions in the 2019–2021 biennial omnibus appropriations act must be funded at a rate that is no less than the per employee per month funding rate provided to state agencies for state employee benefits.

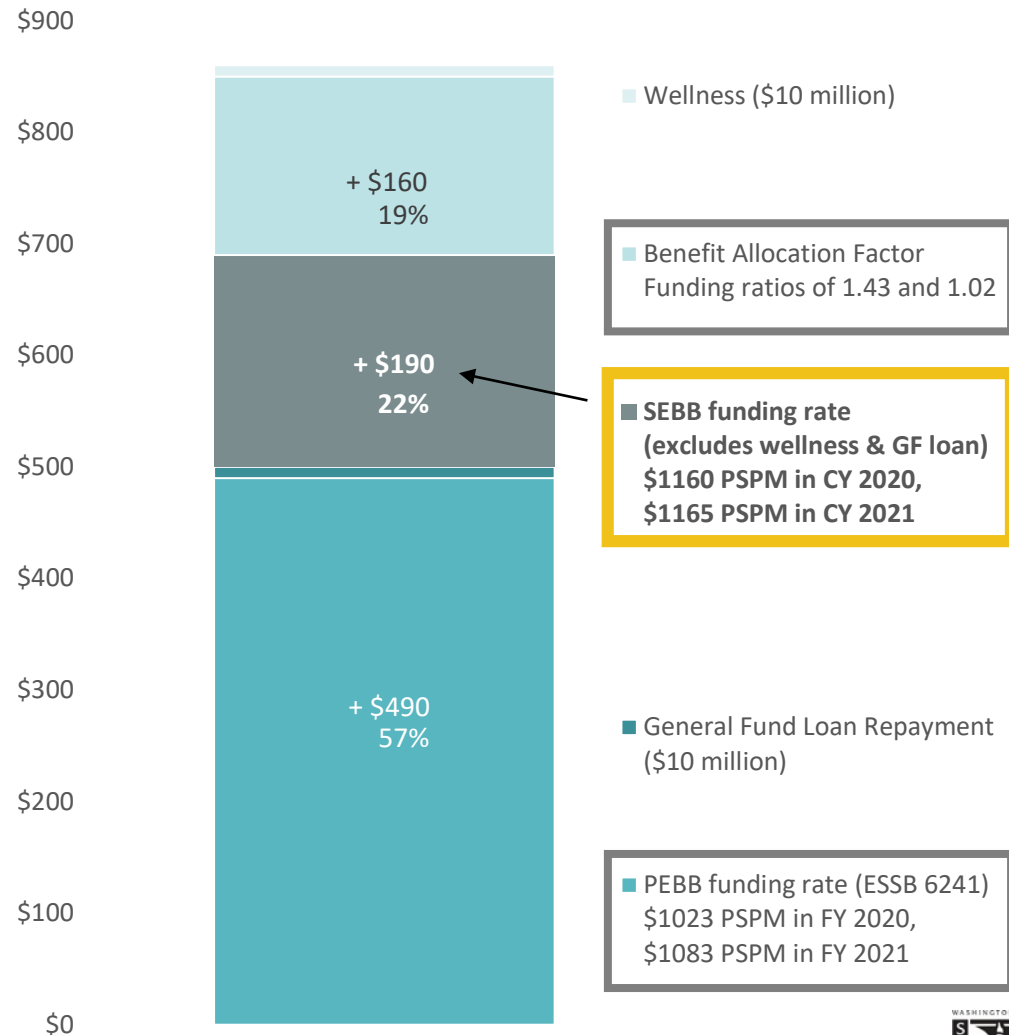


FY19 K-12 Allocation Rate:	\$843.97
PEB Rate FY20	\$1,022.87
PEB Rate FY21	\$1,083.11

SEB Cost – SEB Funding Rate

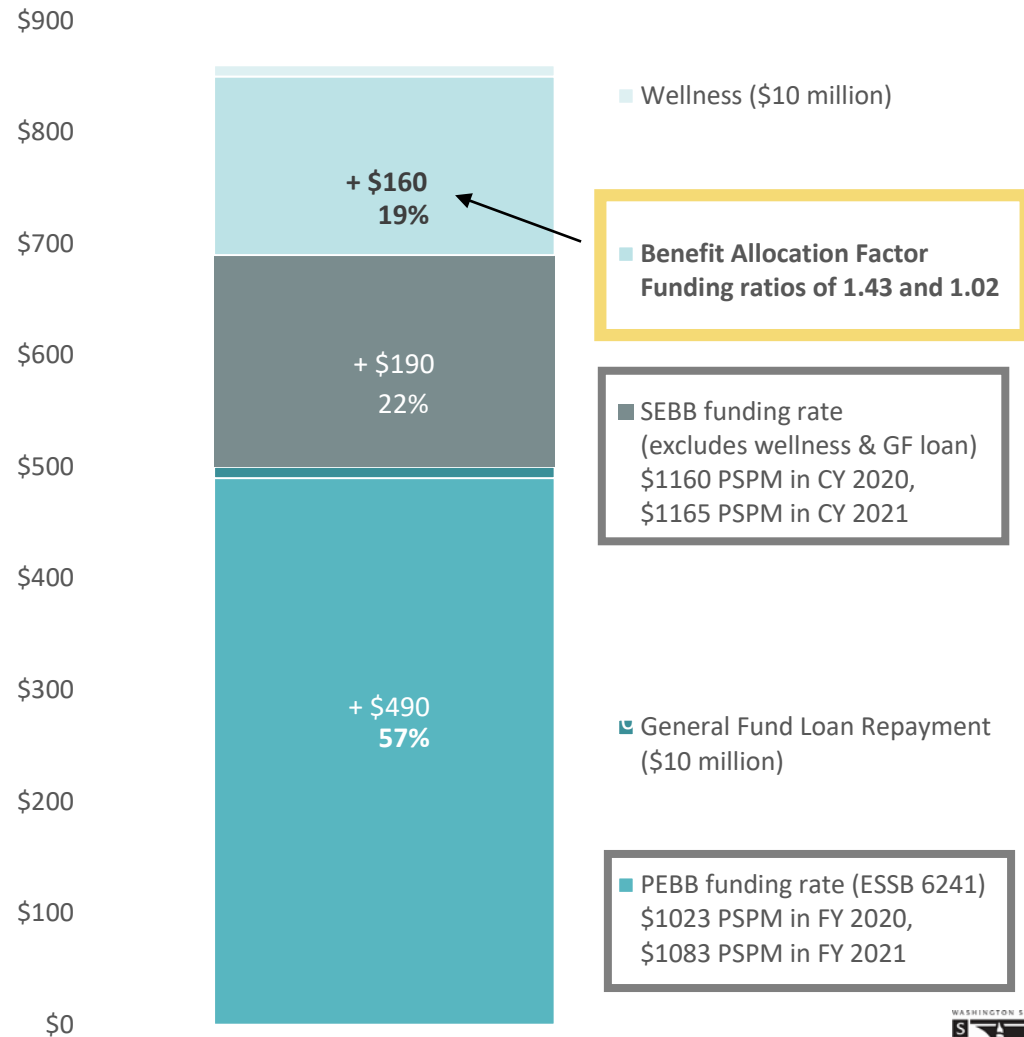
- SEB employer premiums are set at 85 percent of an 88 percent actuarial value plan. PEB is 85 percent of the weighted average.
- Initially SEB premiums include an amount necessary to build reserves.
- SEB enrollees are expected to have more dependents than PEB.

	FY20	FY21
Est. SEB Rate	\$1,160.00	\$1,165.00
Est. PEB Rate	\$1,022.87	\$1,083.11



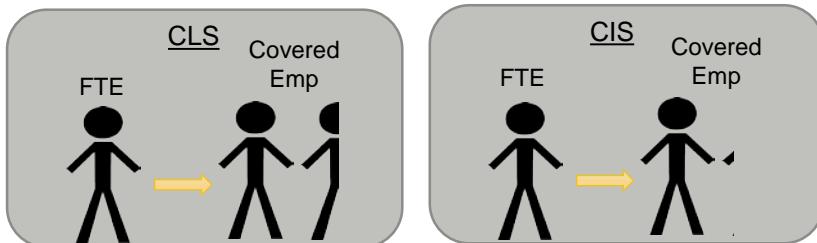
SEB Cost – Benefit Allocation Factor

- Historical multiplier of 1.152 for classified staff
- State-funded classified staff unit allocations will be multiplied by a factor of 1.43.
- State-funded certificated instructional staff unit allocations will be multiplied by a factor of 1.02.



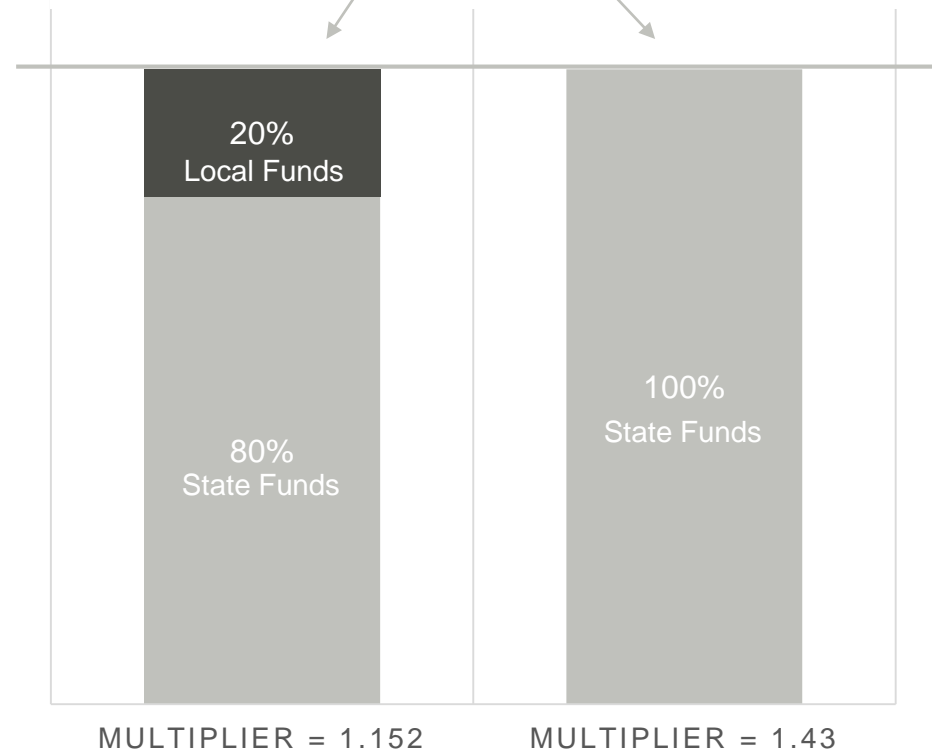
SEB Cost – Benefit Allocation Factor

- Historical multiplier of 1.152 for classified staff only
- State-funded classified staff allocations will be multiplied by a factor of 1.43.
- State-funded certificated instructional staff allocations will be multiplied by a factor of 1.02.



CRUDE EXAMPLE OF WHAT THIS MEANS:

The multiplier will not change the actual cost of health care for basic education staff – what changes is the source of funds.



– Applies only to basic education staff units. Districts will be responsible for the cost of non-basic education employee costs.

SEB District Costs

- Full cost of basic education employees is expected to be covered with state funding.
- District cost for locally-funded staff positions is unknown at this time.

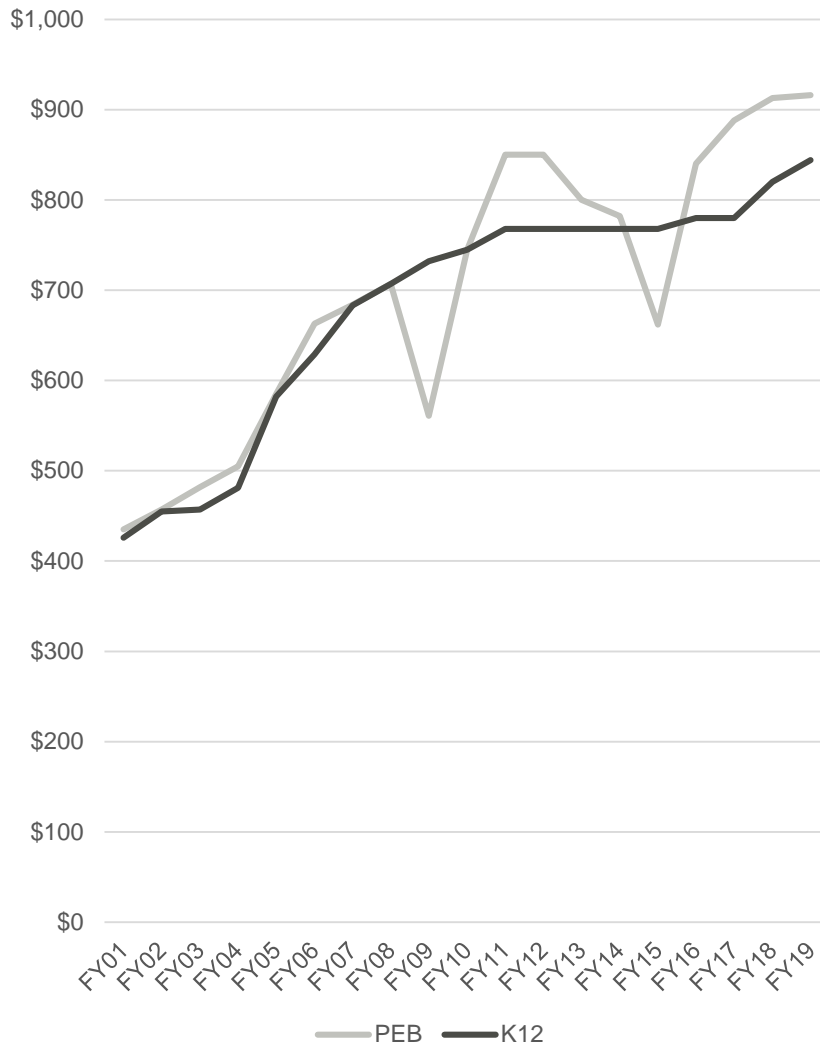


Cost? I thought this saved money?

- Overall system cost may decrease
 - Reduced administrative cost
 - Lower per employee cost due to one large pool
- Cost is shifted from employee to employer
 - Many employees, i.e. full-families, will have lower premium cost
 - Some employees, i.e. single coverage, may have higher costs
- Additional covered lives
 - Some employees that had opted out of coverage or only covered themselves will take full family coverage

Appendix

Historical K12 Rates Compared to PEB Rates



	PEB	K12	Difference
FY01	\$435	\$426	-\$9
FY02	\$457	\$455	-\$2
FY03	\$482	\$457	-\$25
FY04	\$505	\$481	-\$24
FY05	\$585	\$582	-\$3
FY06	\$663	\$629	-\$34
FY07	\$684	\$683	-\$1
FY08	\$707	\$707	\$0
FY09	\$561	\$732	\$171
FY10	\$745	\$745	\$0
FY11	\$850	\$768	-\$82
FY12	\$850	\$768	-\$82
FY13	\$800	\$768	-\$32
FY14	\$782	\$768	-\$14
FY15	\$662	\$768	\$106
FY16	\$840	\$780	-\$60
FY17	\$888	\$780	-\$108
FY18	\$913	\$820	-\$93
FY19	\$916	\$843.97	-\$72

SEB Eligibility by Hours Worked

- *School employees must be anticipated to work 630 per school year in order to be eligible for SEB coverage.*
- *This is a different proportion of a full-time equivalent (FTE) for different types of employees.*
- *FTE hours worked by week or year are not defined in law but are used for funding purposes. Actual hours worked by employee type may vary by district and collective bargaining agreement.*

Employee Type	FTE	FTE Hours/Year	Eligibility of an FTE
Certificated Instructional Staff	7.5 hours per day for 180 days per year	1,400	0.467
Certificated Administrative Staff	7 hours per day for 220 - 260 days per year	1,540 - 2,080	0.303 - 0.409
Classified Staff	40 hours per week for 52 weeks per year	2,080	0.303

SEB Coalition Bargaining

- The law directs that the Governor and one coalition of school employee unions bargain over the dollar amount to be contributed for school employee health benefits on behalf of each employee for health care benefits.

An anticipated
200,000 – 300,000 employees and dependents
in
over 950 bargaining units
represented by
137 unions or associations
across
294 districts

- The chief spokesperson for the coalition is anticipated to be Shawn Lewis with the WEA.
- Other representatives included SEIU 1948-PSE, Teamsters Joint Council 28, SEIU 925, AFT Washington, IUOE Locals 609, 280 and 286, and the AWSP